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March 7, 2018

**VIA ELECTRONIC FILING**

Jocelyn G. Boyd, Esquire  
Chief Clerk & Administrator  
Public Service Commission of South Carolina  
101 Executive Center Drive, Suite 100  
Columbia, South Carolina 29210

Re: Office of Regulatory Staff's Petition for an Order Requiring Utilities to Report the  
Impact of the Tax Cuts and Jobs Act  
**Docket No. 2017-381-A**

Dear Ms. Boyd:

In response to the Office of Regulatory Staff's ("ORS") Petition filed in the above referenced docket on December 28, 2017, the South Carolina Public Service Commission ("Commission") on January 10, 2018, established a two week deadline to allow comments from regulated utilities regarding the timing and format of reports to the Commission and ORS to address the impact of the Tax Cuts and Jobs Act ("Tax Act"). Comments were filed with the Commission by approximately 17 regulated water, sewer, natural gas, electric and telephone utilities.

On January 31, 2018 the Commission issued a Directive which stated that it was deferring ruling on Petitions to Intervene filed by Kiawah Island Utility and Daufuskie Island Utility Company "until the Commission has analyzed responses and received ORS's recommendation for further process consistent with their Petition."

Having reviewed the comments filed by the utilities and in light of the Commission's request, ORS offers the following information and recommendations.

### Telecommunications Companies

There are certain entities whose rates are not regulated by this Commission. The change in the federal tax code is therefore irrelevant to these utilities as far as the Commission is concerned. Since 1996 the telecommunications business in South Carolina has been a competitive market. As stated in the filings made by AT&T and the South Carolina Telephone Coalition (“SCTC”), and United Telephone Company, rates are not regulated by the Commission for those companies which have elected alternative regulation under S.C. Code Ann. §58-9-576. As the rates of these telecommunications companies are not based on their costs or earnings, it is unnecessary for the Commission to evaluate the impact of the Tax Act in regard to these telecommunications companies.

### Natural Gas Companies

The two natural gas utilities regulated by the Commission, Piedmont Natural Gas Company, Inc. (“Piedmont”) and the gas operations of South Carolina Electric and Gas Company (“SCE&G”) are regulated by the Commission under the South Carolina Natural Gas Rate Stabilization Act (“RSA”) and are thus subject to an annual review of costs and rates by ORS and the Commission. ORS will have the opportunity to report to the Commission by not later than September 1, 2018 a complete review of the Company’s monitoring reports through March 31, 2018 and filed by the Companies by not later than June 15, 2018 in dockets 2018-6-G and 2018-7-G. ORS concurs with Piedmont’s recommendation filed with the Commission in this docket that, in the interim, these utilities should be required to begin deferring for future ratemaking treatment all revenue requirement benefits of the Tax Act from January 1, 2018 until the effective date of the new rates under the RSA. Additionally, the gas utilities should be required to calculate the excess deferred tax reserve caused by the reduction in the corporate federal income tax rate and recognize as a deferred liability the estimated reduction of the utilities revenue requirement resulting from the Tax Act. ORS also recommends that the natural gas utilities calculate and defer any other tax effects resulting from the Tax Act on known revenue requirements.

### Electric Companies

All four of the electric utilities regulated by the Commission filed comments in this docket. As to the electric operations of SCE&G, as noted by the Company in its letter to the Commission, there is currently a petition pending before the Commission in Docket No. 2017-370-E in which ORS intends to review and report to the Commission, among other things, the impact of the Tax Act on SCE&G’s rates. Pending the Commission’s final order in that docket in December, ORS recommends the Commission require SCE&G to begin deferring for future ratemaking treatment all revenue requirement benefits of the Tax Act from January 1, 2018 until the effective date of new rates. In addition, SCE&G should be required to calculate the excess

deferred tax reserve caused by the reduction in the federal corporate income tax rate and recognize as a deferred liability the estimated reduction of the utilities revenue requirement resulting from the Tax Act. The electric utilities should calculate and defer any other tax effects resulting from the Tax Act on revenues that are known. ORS recommends the Commission require SCE&G to establish a similar deferral to address the amount of taxes being collected by the Company under the Base Load Review Act. ORS also recommends that reasonable interest accrue on the amount reflected in the regulatory liability account.

Duke Energy Carolinas, LLC (“DEC”) and Duke Energy Progress, LLC (“DEP”) echoed the comments of Piedmont and volunteered that that they will defer as a regulatory liability (1) all excess accumulated deferred income tax balances created by the Tax Act and (2) the estimated difference between customer revenues actually billed and what would have been billed under the new corporate tax rates effective January 1, 2018. DEC and DEP additionally proposed that the Commission provide that all affected utilities report to the Commission by no earlier than approximately 30 days after the close of the 1<sup>st</sup> Quarter of 2018 the companies estimates of the effect on the most recent available test year. Lockhart Power Company similarly suggests that an initial impact report be filed by utilities no earlier than April 30, 2018. ORS concurs with the recommendations of DEC and DEP that utilities be required to file reports with the Commission by no later than May 31, 2018. After an opportunity to review the reports to be filed by the end of May, ORS may offer additional recommendations to the Commission.

#### Water and Sewer Companies

The Commission and ORS received comments in this Docket by January 24, 2018 from numerous water and sewer utilities. There are several water/sewer rate cases currently pending before the Commission including Carolina Water Service, Inc., Synergy Utilities, LP, and Moore Sewer, Inc. As to these companies with pending rate proceedings ORS intends to review and report to the Commission, among other things, the impact of the Tax Act on rates. ORS therefore does not believe that there is a need for any further reporting from these companies. As to all other water and sewer utilities, ORS recommends that the Commission require all utilities with annual water or sewer operating revenues that are equal to or greater than \$250,000 be required to begin deferring for future ratemaking treatment all revenue requirement benefits of the Tax Act from January 1, 2018 until the effective date of new rates. In addition, these utilities should be required to calculate the excess deferred tax reserve caused by the reduction in the corporate federal income tax rate and recognize as a deferred liability the estimated reduction of the utilities revenue requirement resulting from the Tax Act. The water and sewer utilities should calculate and defer any other tax effects resulting from the Tax Act on known revenue requirements. Finally, ORS recommends that these water and sewer utilities report to the Commission by May 31, 2018 the anticipated effect of the Tax Act including the impact on Contributions In Aid of Construction. After an opportunity to review the reports to be filed by the end of May, ORS will offer additional recommendations to the Commission.

Letter – Jocelyn G. Boyd, Esquire

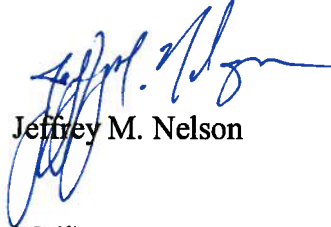
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ORS is prepared to present or discuss these matters and recommendations with the Commission and the affected parties at the Commission's request.

Yours Truly,



Jeffrey M. Nelson

cc: Parties of Record (via E-mail & U.S. Mail)  
Joseph Melchers, Esquire (via E-mail)